

Chapter 20

Saskatchewan Crop Insurance Corporation

1.0 MAIN POINTS

The Saskatchewan Crop Insurance Corporation (SCIC) provides Saskatchewan producers with insurance and financial support programs. These programs include Crop Insurance, AgriStability, and Wildlife Damage Compensation. SCIC also manages the Crop Reinsurance Fund of Saskatchewan (Reinsurance Fund).

SCIC's financial statements and the Reinsurance Fund's financial statements for the year ended March 31, 2013 are reliable. Also, SCIC and the Reinsurance Fund complied with authorities governing their activities related to financial reporting, safeguarding resources, revenue raising, spending, and investing.

In 2013, SCIC had effective rules and procedures to safeguard public resources except that it did not have effective processes to estimate its liability for unpaid AgriStability benefits at year-end. SCIC needs to work with the Ministry of Agriculture to ensure that these estimates are reasonable, consistent, and current.

2.0 INTRODUCTION

SCIC administers the AgriInsurance (Crop Insurance) and the AgriStability programs under the authority of *The Saskatchewan Crop Insurance Corporation Act*. SCIC also administers the Wildlife Damage Compensation Program on behalf of the Saskatchewan Ministry of Agriculture (Ministry). The costs for these programs are shared between the producers and both the Government of Saskatchewan and the Government of Canada in accordance with the rules set out in the *Growing Forward: A Federal-Provincial – Territorial Framework Agreement on Agriculture, Agri-food and Agri-based Products Policy* (known as the Growing Forward Agreement). These three programs are described below:

- ▶ The Crop Insurance program provides producers with insurance for crop losses due to weather-related and other natural perils. The program guarantees a minimum crop yield and quality of grain to agricultural producers, subject to specific insurance decisions made by each producer.
- ▶ The AgriStability program, created under the Growing Forward Agreement, provides support to producers who experience large income losses (i.e., an income-based support program).¹
- ▶ The Wildlife Damage Compensation Program provides producers with crop damage compensation, predation compensation, and prevention. Financial reporting for this program is included in the financial statements of the Saskatchewan Agricultural Stabilization Fund reported by the Ministry.

¹ Saskatchewan Crop Insurance Corporation *Annual Report 2011-12*, p. 7.



SCIC also manages the Crop Reinsurance Fund of Saskatchewan (Reinsurance Fund). The Reinsurance Fund receives premiums from SCIC and pays SCIC based on formulas established under the Growing Forward Agreement.

SCIC's head office is located in Melville with 21 customer service offices in communities throughout the province.² It employs over 500 staff; approximately one-half of SCIC's staff are based out of its head office.

2.1 Financial Overview

At March 31, 2013, SCIC held assets of \$694 million (2012 - \$472 million). For the year ended March 31, 2013, SCIC had revenue of \$1,027 million (2012 - \$656 million), expenses of \$928 million (2012 - \$684 million), and an annual surplus of \$99 million (2012 - deficit of \$28 million).

For the year ended March 31, 2013, the Reinsurance Fund had revenue of \$39 million (2012 - \$25 million) and had an accumulated surplus of \$123 million (2012 - \$84 million).

Each year SCIC provides the Legislative Assembly with its annual report including its and the Reinsurance Fund's audited financial statements. The annual report can be found on SCIC's website.³

3.0 AUDIT CONCLUSIONS AND FINDINGS

Our Office worked with KPMG LLP, the appointed auditor, to carry out the audits of the SCIC and the Reinsurance Fund. We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.⁴

In our opinion, for the year ended March 31, 2013:

- ▶ **SCIC had effective rules and procedures to safeguard public resources except for the matter described in this chapter**
- ▶ **SCIC complied with the following authorities governing its and the Reinsurance Fund's activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

The Saskatchewan Crop Insurance Corporation Act
The Crop Insurance Regulations
The Financial Administration Act, 1993
Orders in Council issued pursuant to the above legislation
Growing Forward: A Federal-Provincial-Territorial Framework Agreement on Agriculture, Agri-Food and Agri-Based Products Policy

- ▶ **The financial statements of SCIC and the Reinsurance Fund are reliable**

² Saskatchewan Crop Insurance Corporation *Annual Report 2011-12*, p. 6.

³ www.saskcropinsurance.com (22 October 2013).

⁴ See our website at www.auditor.sk.ca.

3.1 Year-end Estimate Process Needs Refinement

We recommended that the Saskatchewan Crop Insurance Corporation work with the Ministry of Agriculture to develop processes to ensure that the annual fiscal year-end estimates for AgriStability program benefits are reasonable, consistent, and current. (2013 Report – Volume 1, Public Accounts Committee has not yet considered this recommendation)

Status – Not Implemented

For the AgriStability program, the deadline for producers to submit program forms is September 30, which is after SCIC's March 31 year-end. Therefore, at March 31, 2013, SCIC had complete information for only a few producers. For this reason, its year-end liability includes an estimate of the amount of benefit payments owing at year-end of \$247 million.⁵

SCIC continues to rely on Agriculture and Agri-food Canada (AAFC) for its March estimate. AAFC's estimate provides an amount specific to Saskatchewan as of December 31. AAFC bases this December estimate on an economic forecast of the overall condition of the farming industry in Canada and in Saskatchewan, and on assumptions for items such as grain prices and quantities and prices of farming inputs.

SCIC and the Ministry work together to review the reasonableness of AAFC's forecast of the total AgriStability benefits for each program year for the province. They also approve the final estimate for Saskatchewan's total AgriStability benefits.

Since the inception of the AgriStability program, SCIC's March 31 estimates have fluctuated significantly, in part, because of deficiencies in SCIC's processes to make these estimates. For example, SCIC's March 31, 2011 financial statements included an adjustment for the 2009 program year of \$98 million (decrease of the expense). Furthermore, SCIC also adjusted its March 31, 2012 financial statements by increasing its expense by \$25 million for the 2009 program year. SCIC adjusted its March 31, 2012 financial statements by decreasing its expense by \$25 million related to the 2010 program year.

In addition to SCIC using the estimated AgriStability program benefits to calculate its AgriStability expense for its financial statements at its March 31 year-end, the Ministry uses SCIC's estimate to calculate its share of the program benefits and to complete the schedules required for completion of the General Revenue Fund financial statements. SCIC and the Ministry both need information that is consistent and reflects the most current information available.

Without good processes to estimate the AgriStability liability and expenses, there is a risk that SCIC's financial statements and Saskatchewan's General Revenue Fund financial statements and Summary Financial Statements may not be correct. SCIC needs to work with the Ministry to ensure its processes accurately estimate the expenses and liability at March 31 each year.

⁵ For more details regarding the AgriStability program and the estimation process, see our *2013 Report – Volume 1*, Chapter 7.

